



*Board of Directors*

Daniel M. Carney, Chair  
Deryl K. Schuster, Vice Chair  
Daniel J. Taylor, Treasurer  
Michael C. Burrus, Secretary  
Joyce Smith, Assistant Secretary  
John F. "Jack" Jonas Jr., Founder &  
President Emeritus  
Patrick T. Jonas, President & CEO

Dan F. Augustin  
Robert P. Daniels  
Vivian M. King  
Linus C. Ohaebosim  
Patricia M. Patterson  
Donald D. Sbarra  
William A. Simon  
Kenneth J. Wagnon

February 25, 2011

Office of Lieutenant Governor Jeff Colyer  
State Capitol, 2nd Floor  
300 SW 10th Ave.  
Topeka, KS 66612

Dr. Colyer:

**A Pilot Program to Achieve Long-Term Medicaid Savings and Improve the Quality of Life for Persons with Disabilities.**

In our view, the key to reducing utilization of the Kansas State Waiver system is to provide a realistic and more beneficial alternative. For our organization, The Cerebral Palsy Research Foundation of Kansas (CPRFK), that better alternative has come to fruition in the form of competitive employment options for people with disabilities. CPRFK has developed two support organizations: Center Industries Corporation (CIC) and Business Technology Career Opportunities (BTCO). CIC, founded in 1976, is a manufacturing company with over 300 employees currently and an economic impact of over \$8 million dollars annually, according to a 2006 Wichita State University study. BTCO, founded in 2001, is a web research and document imaging company that currently has 21 employees with disabilities.

Both CIC and BTCO advance a dual mission purpose: The first is to provide employment opportunities for those with disabilities in an integrated environment which includes industry-competitive wages, health insurance and a retirement plan. The second is to provide financial support to CPRFK for its ancillary disability-related support services which seem to be chronically in demand but annually underfunded. CIC and BTCO provided over \$700,000 in such support in this year alone.

There is an average savings of \$26,000 per person per year to the federal treasury (please refer to attachment 1) for those SSI and SSDI beneficiaries that move off the social security rolls. There is also a significant gain to the state where the average Physical Disability (PD) Waiver participant utilizes \$21,000 in support annually (\$40,000 for DD Waiver participants). These waiver subsidies are often reduced or eliminated for those people with a disability who are competitively employed.

Within BTCO, of the 21 employees who have a disability only one continues to use State waiver assistance. CIC has over 100 employees with disabilities where the majority are also off the Social Security and State waiver rolls. This combination of reduction in Social Security payments and savings from state Waiver plans produces millions of dollars in savings each year. (See BTCO Social Rate of Return- Attachment 2).

AT CIC we have an example of one individual who would be eligible for the MR/DD waiver but who has never received waiver services and has just finished her 35<sup>th</sup> anniversary working at CIC. In today's dollars, the lifetime savings to the State of Kansas for the family's decision to bypass waiver services amounts to \$1.4 million (\$40,000 x 35 years). Adding the federal Social Security savings of \$910,000 over 35 years, this demonstrates a total savings of \$2,310,000 in her lifetime. I am sure there are other State Use Law vendors who can also demonstrate employment based savings to both the federal Social Security and the State waiver program.

### **Proposal to the Office of the Lt. Governor for Consideration**

The primary limiting factor in advancing the employment of people with disabilities in Kansas is the lack of contracting opportunities for those companies that specialize in this work. If the state is serious about reducing the utilization of Medicaid via the waiver system it should be a priority to support a proven and preferred alternative. That alternative would consist of providing, by statute, genuine incentives to state agencies and to private sector companies that contract with the State and who are willing to outsource to vendors who specialize in employing people with disabilities.

State agencies and USD's who contract directly with companies that focus on employment for people with disabilities should be incentivized to do so. Line items in their budgets utilized in this fashion, which promotes Medicaid savings should not be counted against their annual appropriation.

We see this happening either of two ways for private sector companies that contract with the state of Kansas:

1. Legislation or regulations establishing a mandate that private sector state contractors subcontract 5% of their work to companies within the state of Kansas who have a mission to employ people with disabilities. This could be done through laws and/or regulations that would stipulate when a company bids on a state contract that a percentage would be shown to be awarded to a vendor who employs people with disabilities.
2. Legislation or regulations establishing that if, a company subcontracts 5% of its work to entities that employ people with disabilities, their bid could be reduced by that amount and thus have a competitive advantage.

This would not affect the state's general funds, as this is work that would be outsourced anyway. By directing state purchasing in this manner, such policy could substantially assist with Waiver and Medicaid cost reduction. With over 60,000 people in Kansas currently receiving Social Security disability payments, employing even 5% of this population would make a significant impact on the Waiver system.

As mentioned, if the state is serious about exploring alternatives and conducting pilot projects for reducing utilization of Waiver services, the most promising alternative in my view would be to provide a superior alternative where everyone wins, the person with the disability, the state and the federal government.

Please consider this: We have been speaking about the demand side of the labor market for people with disabilities. On the supply side, billions of dollars are spent each year in special education and vocational rehabilitation with no end game included in the formula. Education and training programs for the population with disabilities have been going on for decades with minimal change in the fact that 75% of people with disabilities are unable to find employment.

The solution comes in providing that employment opportunity once the training is in place. Unless the federal and state governments are willing to employ folks with disabilities in great numbers, the alternative is to find companies that are willing and already do so. Granted, there have been changes over the last 20 years since the passage of the Americans with Disabilities Act where some individuals have found successful employment opportunities. However, the majority of job seekers with disabilities are left with the education and training and nowhere to go.

I would challenge Kansas Health Policy Authority to seriously consider an alternative where private sector and government agencies are incentivized, if not mandated, to direct some of the millions of dollars of work that are outsourced each year through the state of Kansas to those companies that have the expertise and/or are willing to take on the challenge of competitively hiring people with disabilities. This includes, of course, paying health insurance and other fringe benefits that anyone else who is seeking employment would have.

Thank you for this consideration.

Sincerely,



Patrick T. Jonas, President & CEO  
Cerebral Palsy Research Foundation

Attachments

***Business Technology Career Opportunities, Inc.***, is a not-for-profit company in Wichita, Kan., that performs contract work for the Department of Defense consisting of Web-Based Research and Document Imaging. The total amount of contract work for the Federal Government in 2010 is approximately \$1.6 million.

There are 37 people employed by BTCO, 25 of which are individuals with disabilities who were eligible but no longer receive Social Security Benefits.

- Average Social Security savings = \$26,000 each year per person, which includes health insurance savings.
- $\$26,000 \times 25 = \$650,000/\text{yr}$  in Social Security savings.
- Add taxes at \$10/hr =  $\$5,238/\text{yr} \times 25 = \$130,950/\text{yr}$ .
- $\$650,000/\text{yr}$  SS Savings +  $\$130,950/\text{yr}$  taxes =  $\$780,950/\text{yr}$ .
- \$1.6 million in contract sales through BTCO actually represents a net savings to the Federal Treasury of approximately 47%.
- Over a 10 year period – savings to the Federal Treasury would exceed \$7.8 million.

**SSDI SUBSIDY REDUCTION/TAX RECEIPTS  
AT YEAR 2, YEAR 5, YEAR 10  
1% OF U.S. SSDI RECIPIENTS GO TO WORK**

SSDI Recipient @ \$10.00 per hour	MONTHLY	ANNUAL
SSDI PAYMENTS	\$894.10	\$10,729.20
FOOD STAMPS	\$67.00	\$804.00
HUD HOUSING SUBSIDY	\$508.00	\$0.00
<b>ANNUAL COST SAVINGS DUE TO COMPETITIVE EMPLOYMENT</b>		<b>\$11,533.20</b>
MEDICAID SAVED DUE TO EMPLOYER HEALTH PLAN	\$1,266.00	\$15,192.00
<b>TOTAL ANNUAL SUBSIDY REDUCTION</b>		<b>\$26,725.20</b>
HOURLY RATE	\$10.00	
WAGE LEVEL (2,080 hours)	\$20,800.00	
STANDARD DEDUCTION	\$4,850.00	
PERSONAL EXEMPTION	\$3,100.00	
TAXABLE INCOME	\$12,850.00	
FICA TAX-EMPLOYER (7.65%)		\$1,591.20
FICA TAX-EMPLOYEE (7.65%)		\$1,591.20
FEDERAL/US AVERAGE INCOME TAX (16%)		\$2,056.00
<b>TOTAL TAX RECEIPTS-NEW JOB</b>		<b>\$5,238.40</b>
<b>YEAR 2 SUBSIDY REDUCTION</b>		<b>\$26,725.00</b>
<b>YEAR 5 (YEAR 2 MULTIPLIED BY 4 YEARS)*</b>		<b>\$106,900.00</b>
<b>YEAR 10 (YEAR 2 MULTIPLIED BY 9 YEARS)*</b>		<b>\$240,525.00</b>
TOTAL SSDI BENEFICIARIES (US)-11/08		6,612,000.00
<b>1% OF SSDI BENEFICIARIES</b>		<b>66,120.00</b>
<b>YEAR 2 SUBSIDY REDUCTION</b>		<b>\$1,767,057,000.00</b>
<b>YEAR 5 SUBSIDY REDUCTION</b>		<b>\$7,068,228,000.00</b>
<b>YEAR 10 SUBSIDY REDUCTION</b>		<b>\$15,903,513,000.00</b>

\*No savings to Social Security in year 1 due to 9 trial work and 3 grace period months

These numbers only represent reduction of SSDI beneficiaries in the **first year** (savings achieved in year 2, year 5, and year 10).

Source for data on the average number and payments for SSI and SSDI beneficiaries: Monthly Statistical Snapshot-November 2008  
[www.ssa.gov/policy/docs/quickfacts/stat\\_snapshot/index.html](http://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/index.html)